

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-11 H-02 INR-10 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07 SP-02

SS-15 STR-07 TRSE-00 ACDA-12 /131 W

-----127221 062323Z /62

R 061422Z MAR 78

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9003

UNCLAS LIMA 1934

EO 11652: N/A

TAGS: ENRG, PE, EALR

SUBJ: OXY'S CRUDE NOW BEING PUMPED THROUGH SPUR LINE

REF: 77 LIMA 8574

1. THE 253 KM.- LONG SPUR LINE BUILT BY THE MEXICAN FIRM CONSTRUCCIONES PROTEXA, RUNNING FROM ANDOAS (A LOCATION ON OCCIDENTAL PETROLEUM (OXY) BLOCK 1-A) TO STATION 5 OF THE MAIN PIPELINE, LOCATED NEAR BORJA, HAS NOW BEEN COMPLETED, TWO MONTHS AHEAD OF SCHEDULE. ESTIMATED CONSTRUCTION COST OF THE SPUR IS \$118 MILLION.

2. OXY'S CRUDE STARTED TO BE PUMPED INTO THE SPUR LINE ON THE AFTERNOON OF FEBRUARY 25. INITIAL PUMPING CAPACITY WILL BE 45,000 BARRELS PER DAY UNTIL THE INSTALLATION OF THE PERMANENT PUMPS WHICH PETROPERU IS SUPPOSED TO INSTALL BY MID-1978, AT WHICH TIME PUMPING CAPACITY WILL BE INCREASED TO APPROXIMATELY 80,000 BPD. FOR THE TIME BEING, OXY WILL CONTINUE TRANSPORTING ABOUT 12,000 BPD. BY BARGES TO SAN JOSE DE SARAMURO, THE INITIAL POINT OF THE MAIN PIPELINE. BARGE TRANSPORTATION MAY CONTINUE EVEN AFTER INSTALLATION OF THE PUMPS, SINCE OXY'S PRODUCTION LEVEL MAY SURPASS THE SPUR'S CAPACITY.

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3. UNDER OXY'S CONTRACT WITH PETRO PERU, THE FORMER RETAINS CONTROL OF 50 PERCENT OF PRODUCTION FROM ITS FIELDS WITH PETRO PERU HAVING FIRST OPTION TO BUY FROM OXY'S SHARE. OXY SOURCES HAVE TOLD US THAT PERU WILL EXERCISE THIS OPTION TO BUY SUFFICIENT AMOUNTS OF CRUDE TO COVER ITS DOMESTIC DEMAND. PETRO PERU HAS INFORMED OXY THAT IT WILL NOT BUY THE REMAINDER OF OXY'S SHARE DURING THE NEXT SIX MONTHS.

4. COMMENT: A. FORMAL INAUGURATION OF THE SPUR LINE IS EXPECTED LATER IN MARCH WHEN CRUDE FROM OXY'S FIELDS, TRAVELING THROUGH THE SPUR AND THEN THROUGH THE MAIN PIPELINE, REACHES THE COAST. NEW ENERGY AND MINES MINISTER JUAN SANCHEZ USED THE OCCASION OF THE START-UP OF PUMPING THROUGH THE SPUR AS AN OPPORTUNITY TO INSPECT THE LINE AND TO CALL ATTENTION TO THE BENEFICIAL IMPACT THIS PROJECT WILL HAVE ON PERU.

B. COMBINED WITH CURRENT PRODUCTION OF APPROXIMATELY 100,000 BPD., THE NEW FLOW FROM THE OXY FIELDS INCREASES PERU'S PETROLEUM PRODUCTION TO ABOUT 145,000 BPD., AND AFTER SEPTEMBER PRODUCTION IS EXPECTED TO BE IN THE 180,000 BPD. RANGE. THUS WITH CURRENT CONSUMPTION AT ABOUT 126,000 BPD., PERU WILL BECOME A NET PETROLEUM EXPORTER IN 1978. BASED ON PRELIMINARY STATISTICS, PERU HAD NET IMPORTS OF PETROLEUM OF ABOUT 13,800,000 BARRELS IN 1977 WHICH AT AVERAGE PRICE OF \$12.60 PER BARREL (USED BY IMF IN NOVEMBER AGREEMENT) REPRESENTS NET FOREIGN EXCHANGE OUTFLOW OF ROUGHLY \$174 MILLION. IN 1978, PERU NOT ONLY WILL ELIMINATE THIS OUTFLOW, BUT WILL HAVE A MODEST INFLOW (PERHAPS \$10 MILLION) AS A NET EXPORTER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL PRODUCTION, PETROLEUM PIPELINES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LIMA01934
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780101-0616
Format: TEL
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803103/aaaadjlm.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d431f8b7-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 LIMA 8574
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3108499
Secure: OPEN
Status: NATIVE
Subject: OXYI'S CRUDE NOW BEING PUMPED THROUGH SPUR LINE
TAGS: ENRG, EALR, PE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d431f8b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014